

Data Sheet

USAID Mission:	Bosnia and Herzegovina
Program Title:	Economic Restructuring
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	168-0130
Status:	Continuing
Planned FY 2005 Obligation:	\$6,726,000 AEEB
Prior Year Unobligated:	\$1,354,000 AEEB
Proposed FY 2006 Obligation:	\$7,117,000 AEEB
Year of Initial Obligation:	2001
Estimated Year of Final Obligation:	2010

Summary: USAID's work to accelerate private sector growth falls under four categories: Improve Economic Policy and Governance; Increase Private Sector Growth; Strengthen the Financial Sector's Contribution to Economic Growth; and Expand and Improve Access to Economic and Social Infrastructure. Under this objective, USAID works to strengthen the productivity and competitiveness of small and medium enterprises (SMEs). USAID works to: reduce the legal, regulatory, and administrative hurdles of starting and expanding a business; create an environment conducive to creditors and investors; provide SMEs with firm-level technical assistance; and increase their access to financing.

Inputs, Outputs, Activities:

FY 2005 Program: Improve Economic Policy and Governance (\$1,400,000 AEEB, \$694,000 AEEB carryover). To encourage long-term investment and lending, USAID will continue supporting the commercial courts. Such support includes training for judges, trustees, and lawyers on the implementation of bankruptcy and collateral laws. In addition, USAID will install an integrated case management software system in two pilot courts. This system will improve efficiency in the courts and reduce case backlogs. As part of its efforts to improve economic policy and governance, USAID will continue work to improve tax administration and management. In FY 2005, USAID will expand current tax related activities to the policy arena with an aim towards: harmonizing income and profit tax rates and practices between both entities; strengthening the analytical capacity within the country; and supporting the passage of omnibus tax reform legislation, including profit, individual income, and real estate legislation. Principal contractors are: Chemonics International (prime) and Development Alternatives International (prime).

Increase Private Sector Growth (\$3,426,000 AEEB, \$400,000 AEEB carryover). USAID will work to streamline procedures to start and operate businesses. USAID will link government institutions to enable the electronic transfer of data, and encourage, through technical assistance, business development advocacy. Principal contractor: a new implementer yet to be determined.

Strengthen the Financial Sector's Contribution to Economic Growth (\$900,000 AEEB). In FY 2005, USAID will continue efforts to strengthen the banking regulatory sector by offering technical assistance to consolidate the Entity banking supervision agencies into a State-level agency within the Central Bank, shielding the agency from undue political influence. This effort will be a culmination of USAID's successful eight-year engagement in banking supervision. Principal contractor is: Bearing Point (prime).

Expand and Improve Access to Economic and Social Infrastructure (\$1,000,000 AEEB, \$10,000 carryover, \$250,000 prior year recoveries). During FY 2005, USAID will continue to work with the newly established Department of Energy assisting in the development and implementation of a new national energy strategy. USAID's primary focus will be on the restructuring of the three electricity companies. USAID will also give assistance to the provisional joint power coordination center as it transitions into the Independent Systems Operator. USAID will continue its training for the three regulatory commissions as they develop, for the first time, new tariffs to be implemented in 2006. Principal

contractors are: Pierce Atwood Attorneys (prime) and PA Government Services (prime).

FY 2006 Program: Improve Economic Policy and Governance (\$1,450,000 AEEB). In FY 2006, USAID will complete the training for and implementation of the integrated case management software system in 17 courts. USAID will also expand its taxation policy activities by addressing the excess number of taxes imposed by municipalities. USAID intends to work with local municipalities to implement a system that will provide a reliable stream of revenues for municipal governments and simultaneously reduce the burdensome fees imposed on businesses. Principal contractors are: Chemonics International (prime) and a new implementer yet to be determined.

Increase Private Sector Growth (\$3,667,000 AEEB). In FY 2006, USAID will also continue addressing the burdensome permits and inspections regime by streamlining the construction permits process. USAID will connect different levels of BiH governments to enable them to communicate electronically. Depending on the results of a FY 2005 performance review of USAID's activity to strengthen market linkages, in FY 2006, USAID will continue direct technical assistance to SMEs in the wood processing and tourism sectors. Principal contractors are: Emerging Markets Group Ltd (prime) and a new implementer yet to be determined.

Strengthen the Financial Sector's Contribution to Economic Growth (\$1,000,000 AEEB). In an effort to provide SMEs with long-term financing, USAID anticipates transferring \$1 million to the Development Credit Authority facility. Using this facility, USAID will guarantee 50% of the principal on loans issued by partner banks with their own funds to SMEs. Principal contractor is: Not applicable.

Expand and Improve Access to Economic and Social Infrastructure (\$1,000,000 AEEB). During FY 2006, USAID will help in the development of plans for the eventual privatization of the distribution and generation companies and complete work to unify the three regulatory commissions into one State Commission. USAID will help in preparing the sector for eventual acceptance into the European Union. Principal contractors are: Pierce Atwood Attorneys (prime) and PA Government Services (prime).

Performance and Results: USAID's activities achieved important results in accelerating the development of the private sector. USAID increased the cumulative value of loans secured by USAID-assisted SMEs to \$171 million; created more than 15,000 jobs and protected 30,000 existing jobs; and created a uniform budget execution system which saw a \$20 million surplus in government budget. USAID's work with the Banking Supervision Agencies forged the confidence of the banking sector as a whole, resulting in the growth of customer deposits from \$3.5 billion in 2003 to \$4.5 billion in 2004 and total loans outstanding from \$2.8 billion in 2003 to \$3.7 billion in 2004. The successful result of this program will be productive and efficient SMEs contributing to increased job generation and exports.

U.S. technical assistance in the energy sector helped in the passage of State laws establishing a unified State transmission company, an independent systems operator, and the creation of the three regulatory bodies that will control the generation, transmission, and distribution of electricity throughout BiH. As a result, the World Bank disbursed a \$30 million credit and the European Bank for Reconstruction and Development released a loan of nearly 40 million Euros. In addition, progress was made in the resynchronization of two Union for Coordination of Transmission of Electricity zones that were split in 1991. This will have a Europe-wide positive impact, as it will physically integrate regional electricity markets in southeast Europe into the EU internal electricity markets.

US Financing in Thousands of Dollars

Bosnia and Herzegovina

168-0130 Economic Restructuring	AEEB	DCA
Through September 30, 2003		
Obligations	34,782	1,079
Expenditures	14,580	0
Unliquidated	20,202	1,079
Fiscal Year 2004		
Obligations	10,680	0
Expenditures	14,682	133
Through September 30, 2004		
Obligations	45,462	1,079
Expenditures	29,262	133
Unliquidated	16,200	946
Prior Year Unobligated Funds		
Obligations	1,354	0
Planned Fiscal Year 2005 NOA		
Obligations	6,726	0
Total Planned Fiscal Year 2005		
Obligations	8,080	0
Proposed Fiscal Year 2006 NOA		
Obligations	7,117	0
Future Obligations	0	0
Est. Total Cost	60,659	1,079